

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 STR-04 OIC-02 AID-05 CEA-01
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E.O. 11652: N/A
TAGS: ETRD, EEWT, OECD
SUBJECT: EAST-WEST TRADE: MEETING OF TRADE COMMITTEE
WORKING PARTY JANUARY 25-26

1. SUMMARY: INTENSIVE TWO-DAY SESSION OF TCWP RESULTED
IN THOROUGH FIRST EXCHANGE OF VIEWS BY DELS ON KEY
EAST-WEST AGENDA ITEMS AND GUIDANCE FOR FURTHER WORK BY
SECRETARIAT ON ANALYSIS OF TRADE TRENDS, EXPERIENCE OF
GOVERNMENTS IN COPING WITH ABNORMAL EASTERN TRADE PRAC-
TICES (INCLUDING IMPLICATIONS OF COMPENSATION AGREE-
MENTS), AND PROBLEMS OF OBTAINING RECIPROCITY FROM EAST
FOR TRADE CONCESSIONS. OF THESE, TRADE PRACTICES
QUESTION CLEARLY AROUSED GREATEST INTEREST. DESPITE
INITIAL EC RELUCTANCE TO TAKE UP QUESTION OF RE-
CIPROCITY, GROUP AGREED THAT NEXT MEETING, SCHEDULED
FOR APRIL 14-15, SHOULD HAVE SUBSTANTIVE DISCUSSION
OF THIS ISSUE, ALONG WITH TRADE TRENDS. SECRETARIAT
WILL SOON CIRCULATE REQUEST FOR INFORMATION FROM
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MEMBER GOVERNMENTS IN VARIOUS AREAS (SEE PARA 8), AND
WE RECOMMEND US BE FORTHCOMING AS SOON AS POSSIBLE IN
ORDER TO ENSURE SOLID BASIS FOR DISCUSSION OF ISSUES
AT NEXT MEETING. HIGHLIGHTS OF TCWP DISCUSSION, WHICH
CLOSELY FOLLOWED SECRETARIAT'S ANNOTATED AGENDA, ARE
REPORTED BELOW. END SUMMARY.

2. STUDY OF TRADE TRENDS. CONSENSUS WAS THAT SECRETARIAT SHOULD ATTEMPT TO ANALYZE TRADE TRENDS IN GREATER DETAIL THAN HAD BEEN DONE BEFORE AND SEEK TO IDENTIFY MAIN EXPLANATORY FACTORS, INCLUDING FINANCIAL CONSTRAINTS, AGRICULTURAL SHORTFALLS, AND LIMITS ON EASTERN EXPORT CAPABILITY. SEVERAL DELS URGED SECRETARIAT PAY CLOSE ATTENTION TO DIFFERENCES AMONG EASTERN COUNTRIES, AND US DEL SUGGESTED SOME ATTEMPT BE MADE TO ILLUSTRATE FUTURE TRENDS UNDER VARIOUS ASSUMPTIONS. FRG WAS PARTICULARLY INTERESTED IN DETERMINING WHETHER LEVELING OFF OF ITS SURPLUS WITH EAST EXPERIENCED IN 1976 WAS TEMPORARY OR MORE PERMANENT PHENOMENON. SECRETARIAT SAID IT WAS IN PROCESS OF CONSTITUTING COMPUTERIZED E/W TRADE DATA BASE FOR 1965-75 AND WOULD SOON BE IN POSITION TO MAKE KIND OF ANALYSES SUGGESTED BY MEMBERS OF WORKING PARTY.

3. STUDY OF ECONOMIC PLANS: FRANCE THOUGHT STUDY OF PLANS WOULD YIELD USEFUL INFORMATION AND OFFERED TO PROVIDE SECRETARIAT WITH WORK DONE BY GOF. OTHER DELS WERE SCEPTICAL THAT PLANS COULD DO MORE THAN GIVE EVIDENCE OF IMPORTANT SHIFTS IN INVESTMENT STRATEGY. GROUP AGREED TO FOLD THIS ACTIVITY INTO STUDY OF TRADE TRENDS AND THAT SECRETARIAT SHOULD NOT USE TOO MUCH OF ITS TIME ON IT.

4. STUDY OF EASTERN TRADE PRACTICES: THIS TOPIC GAVE RISE TO BY FAR LONGEST DISCUSSION IN TCWP, REVEALING INTENSE INTEREST OF MOST DELS IN EXCHANGING VIEWS ON LIMITED OFFICIAL USE

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HOW TO COPE WITH DISRUPTIVE EASTERN IMPORTS. NUMBER OF DELS GAVE CONCRETE EXAMPLES OF TECHNIQUES THEY USE AND PARTICULAR COMMODITIES (TEXTILES, SHOES) IN WHICH THERE ARE PROBLEMS. US DEL NOTED AWKWARDNESS OF ADMINISTERING ANTIDUMPING LEGISLATION IN CASE OF IMPORTS FROM EAST BECAUSE OF NEED TO FIND THIRD COUNTRY FOR COMPARISON OF COSTS AND SUGGESTED GROUP MIGHT LATER EXAMINE WHETHER OTHER SAFEGUARDS COULD BE IDENTIFIED THAT WOULD PROVIDE ADEQUATE PROTECTION WITHOUT INTRODUCING ARBITRARY OR UNDULY RESTRICTIVE ELEMENTS. EC COMMISSION FAVORED FOCUSING STUDY ON LEGISLATION OF EASTERN COUNTRIES GOVERNING PRICE FORMATION AND TRADE PRACTICES. SWEDEN SUGGESTED GROUP TAKE LOOK AT BURDEN-SHARING AMONG WESTERN COUNTRIES IN ABSORBING EASTERN CONSUMER PRODUCTS. THERE WAS ALSO CONSIDERABLE INTEREST IN TRYING TO DETERMINE NATURE AND GROWTH OF COMPENSATION ARRANGEMENTS. FRG AND ITALY EXPRESSED PARTICULAR CONCERN ABOUT TRADE-POLICY PROBLEMS CAUSED BY SUCH ARRANGEMENTS WHEN FIRMS WHICH HAD AGREED TO

SELL EASTERN GOODS PUT PRESSURE ON GOVERNMENTS FOR PREFERENCES OR EXEMPTION FROM SAFEGUARD MECHANISMS FOR THESE PRODUCTS, OR SIMPLY SOLD THEM AT CUT-RATE PRICES.

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GROUP AGREED TO US/SWEDISH PROPOSAL THAT SECRETARIAT SHOULD COLLECT INFO FROM MEMBERS ON WESTERN LAWS, REGULATIONS AND EXPERIENCE REGARDING UNFAIR OR DISRUPTIVE EASTERN EXPORT PRACTICES. SECRETARIAT WILL ALSO GATHER DATA ON COMPENSATION ARRANGEMENTS TO FORM BASIS FOR FURTHER IN-DEPTH DISCUSSIONS.

5. EVOLUTION OF EASTERN IMPORT STRUCTURES: VIRTUALLY NO INTEREST WAS SHOWN IN THIS QUESTION AND SECRETARIAT INDICATED IT WOULD BE TREATED, TO EXTENT NECESSARY, IN ITS STUDY OF TRADE TRENDS.

6. STUDY OF GATT PROTOCOLS AND RECIPROCITY: AT VARIOUS POINTS IN MEETING EC COMMISSION REP (MASLEN), WITH FINNISH SUPPORT, EXPRESSED RESERVATIONS ABOUT HAVING ANY EARLY DISCUSSION OF RECIPROCITY ISSUES, ARGUING THAT GROUP NEEDED TO ESTABLISH SOUND FACTUAL

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BASIS BEFORE TACKLING SUCH AN OPERATIONAL QUESTION, THAT IT SHOULDN'T TRY TO PREPARE GROUND FOR OR DUPLICATE MTN, ETC. US ARGUED THAT OBJECTIVE WAS NOT TO CONCERT POLICY FOR MTN BUT PROVIDE CHANCE FOR INFORMAL DISCUSSION OF ISSUES WHICH WOULD PROVE VALUABLE TO GOVERNMENTS WHEN TIME CAME TO MAKE DECISIONS IN MTN OR ELSEWHERE, AND DUTCH EFFECTIVELY UNDERCUT COMMISSION BY NOTING USEFUL WORK GROUP HAD DONE ON SPECIAL AND DIFFERENTIAL TREATMENT FOR LDCS WHICH COULD SERVE AS MODEL. US DEL NOTED THAT WIDE RANGE OF OPTIONS WAS CONCEIVABLE WITH RESPECT TO RECIPROCITY ELEMENTS, SUCH AS GENERAL OR SECTORAL IMPORT COMMITMENTS, BUSINESS FACILITATION, OR EVEN CONCESSIONS ON TRADE IN SERVICES, AND PROPOSED GROUP GIVE THESE SOME CONSIDERATION. JAPAN SUGGESTED SECRETARIAT COMPILE LIST OF CONCESSIONS WHICH COUNTRIES HAD OBTAINED BILATERALLY TO CREATE KIND OF CATALOG OF POSSIBILITIES. GROUP AGREED THAT RECIPROCITY QUESTION SHOULD BE DISCUSSED EXTENSIVELY AT NEXT MEETING AND THAT DELS SHOULD PROVIDE INFORMATION RELEVANT TO CONSIDERING THIS ISSUE.

7. OTHER QUESTIONS: NORWAY SUGGESTED GROUP ALSO STUDY EXTENT OF EASTERN INVESTMENT IN WEST FOR PURPOSE OF DISTRIBUTION OF PRODUCTS AND SERVICES AND COMPARE MECHANISMS USED BY MEMBERS FOR CONTROLLING IT, COMPLAINING THAT IT WAS IMPOSSIBLE TO GET RECIPROCITY FROM EAST IN THIS AREA. THOUGH FINNS TRIED TO DOWNPLAY IMPORTANCE OF THIS QUESTION, BELGIANS SAID THEY SHARED NORWEGIAN CONCERNS AND FELT THEMSELVES TO BE A KIND OF TEST CASE FOR EASTERN INVESTMENT OF THIS SORT AND DID NOT KNOW HOW TO COPE WITH IT. GROUP AGREED TO INCLUDE THIS SUBJECT ON LIST OF INFORMATION GATHERING PROJECTS.

8. WORK TO BE DONE BY SECRETARIAT: SECRETARIAT AGREED TO PRODUCE SEVERAL PAPERS TO FOLLOW UP GROUP'S DIS-

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CUSSIONS:

A. AIDE MEMOIRE SUMMARIZING THIS MEETING.

B. INFORMATION REQUEST TO GOVERNMENTS WHICH WOULD COVER

- MEMBERS' LEGISLATION AND EXPERIENCE IN
COPING WITH ABNORMAL TRADING PRACTICES
IN EAST, INCLUDING SPECIFIC CASES
- INFORMATION ON BUY-BACK AND COMPENSATION
AGREEMENTS
- BILATERAL AGREEMENTS, PARTICULARLY CON-
CESSIONS OBTAINED FROM EAST WITH
ASSESSMENTS OF THEIR VALUE
- EASTERN INVESTMENTS IN WEST AND EXPERIENCE
IN CONTROLLING THIS

C. STUDY OF EVOLUTION OF EAST-WEST TRADE.

D. ANNOTATED AGENDA FOR NEXT MEETING, SCHEDULED
FOR APRIL 14-15.

WITH RESPECT TO NEXT MEETING, TCWP AGREED IT MIGHT BE
DESIRABLE TO CONCENTRATE ON QUESTIONS OF TRADE TRENDS
AND RECIPROCITY. US DEL ALSO POINTED OUT CONNECTION
BETWEEN RECIPROCITY AND USE OF SAFEGUARDS AND URGED
POSSIBILITY BE LEFT OPEN OF DISCUSSING EXPERIENCE WITH
ABNORMAL TRADE PRACTICES AS WELL.
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